

COPY for

GENERAL  ELECTRIC
 COMPANY

7183
 A55-441 of 1

SPECIAL HANDLING

October 7, 1958

Lockhead Aircraft Corporation
 Palo Alto, California

Attention: Mr. Jack Linn

Subject : Confirmation of Agreement, Definitive
 Contract for Advanced Program

Gentlemen:

This letter will confirm agreement reached in meeting held at your facility September 26, 1958, with respect to contract price for the Advanced Program.

At the outset of this meeting, certain apparent discrepancies appeared to exist between the estimated cost proposed and the estimate of cost for which substantiation was available. This can now be explained by a further breakdown which shows that this discrepancy was caused by inadvertently omitting cost incurred to the date of June 29, 1958, as follows:

Original Proposal - Advanced Program
 (Dollars in Thousands)

Labor	Incurred to 6/29/58	Estimate to Completion	Total
Engineers	25.7	231.1	256.8
EEEs	9.1	92.8	101.9
Drafting	4.6	40.3	44.9
All Other Categories	1.2	177.7	178.9
Total Labor	40.6	541.9	582.5
Overhead (151%)	61.5	818.3	879.8
Total Engineering	102.1	1 360.2	1 462.3
Material			
Prime Material		426.9	426.9
Development		398.5	398.5
Ground Support Equipment		65.5	65.5
All Other Material	22.3	1 375.4	1 397.7
Total Material	22.3	2 206.3	2 228.6

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	<u>Incurred to 6/29/58</u>	<u>Estimate to Completion</u>	<u>Total</u>
Subtotal			3 690.9
General & Administrative Expense (9½%)			350.6
Total Cost Less Fee			4 041.5
Fixed Fee (8½)			343.6
Total			4 385.1

In the negotiation of this price with you on September 26, 1958, we agreed to reduce our proposed estimate of the cost for this task by an amount of \$400,000, and accept the same ratio of Fixed Fee to this revised estimated cost as that negotiated on the SARV Program (7.35%). For purposes of record, this reduction can be distributed, if desired, as follows:

	<u>Incurred to 6/29/58</u>	<u>FY 1959</u>	<u>FY 1960</u>	<u>Total</u>
Labor	40.6	467.1	42.5	550.2
Overhead (CY58-151%) (CY59-148%)	<u>61.3</u>	<u>698.4</u>	<u>62.8</u>	<u>822.5</u>
Sub Total	101.9	1 165.5	105.3	1 372.7
Materials				
Prime		426.9		426.9
Development		338.5		338.5
GSE		65.5		65.5
All Other	<u>22.3</u>	<u>1 011.1</u>	<u>110.0</u>	<u>1 143.4</u>
Total Material	22.3	1 842.0	110.0	1 974.3
Total Less G & A	124.2	3 807.5	215.3	3 347.0
G & A (1958-8.9%) (1959-8.7%)				294.3
Total Fee				3 641.3 <u>267.5</u>
Total				3 908.8

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As stated in our letter of September 16, 1958, our estimate of cost proposed was to cover the work essentially as defined in meeting on September 3, 1958 between Messrs. [redacted] of Lockheed and Messrs. [redacted] of General Electric. Since the final form of

THIS STATEMENT OF WORK has not been received to this date, the above negotiated agreement must be conditioned upon a mutually acceptable final form of this work definition.

Also, as previously agreed between us, contract coverage for this task will be issued as an Amendment "A" to the SARV Purchase Order (18-418). Accordingly, all the terms and conditions included as a part of this Purchase Order 18-418 shall also apply to this Amendment "A", with the exception of the following requested provisions, necessary for the performance of this Advanced Program task.

Plant Re-arrangement

To provide for the special security procedures inherent in the performance of this task, we ask that authorization for plant re-arrangement, in an amount not to exceed \$10,000, be included as an allowable direct charge to this contract. (Note: As a matter of information, two of these secure areas within our plant are now being constructed at an estimated cost of \$5,647.00). You may consider this cost as a part of our negotiated estimate, as above.

Overtime Authorization

We ask that the following overtime authorization be made a part of this Purchase Order.

"In view of the extremely compressed delivery requirements of this contract, the Contractor is authorized to perform such overtime and/or extra shift work in the performance of this contract as is necessary, and the cost thereof shall be reimbursable to the same extent as other costs properly incurred in connection with the performance hereof."

To date of September 28, we have expended in excess of \$8,000 direct labor overtime hours. We estimate, for planning purposes, overtime requirements between 20 and 25% of direct labor.

Special Tools and Test Equipment

As a part of our performance here, it will be necessary for us to generate and/or acquire various items of Special Tools and Test Equipment. We ask that the contract include a suitable provision to permit the acquisition of such items, as may be required, as an allowable direct charge.

Security

We agree to the incorporation of the Special security requirements, as set forth in your letter of April 29, 1958.

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Lockheed and/or Government Furnished Equipment

We require items of equipment furnished to us, as may, from time to time be mutually agreed.

Letter Contract

The definitive subcontract resulting hereby will supersede and cancel the letter of authorization (dated April 29, 1958) between us.

Shipment

Equipment to be delivered under this task will be shipped to you C.O.D., by best available means. To facilitate expedite shipments, we ask that Shipping Instructions for the entire program be furnished as soon as possible, with the understanding that such instructions can be modified from time to time, as you desire.

It is our sincere wish that the above meets with your approval, and thereby allow immediate definitization of this Subcontract Amendment. Your concurrence by October 17, 1958 is respectfully requested.

Should any questions arise in connection with this, please contact me at

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Sincerely yours

Marketing Administration

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